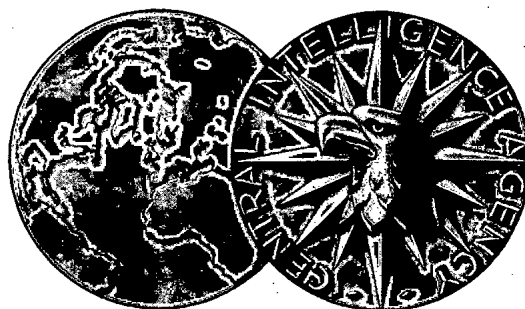


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WEEKLY SUMMARY



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SECRET**H I G H L I G H T S**

Reports from the Balkans during the past week have continued to point to the possibility that the USSR will soon undertake guerrilla action against Tito. Such action would presumably be directed against Yugoslav Macedonia by a force of 4500 anti-Tito Yugoslavs, now reported to be in Bulgaria, and by smaller groups of dissident Yugoslavs in Albania and Hungary (see page 4). Because Tito's reaction to such a move would be vigorous and might culminate in Yugoslav military action against Bulgaria, a Kremlin decision to begin large-scale guerrilla action would signify a Soviet willingness to risk open warfare between the Balkan Satellites. Meanwhile, recently-concluded agreements concerning 1949 commodity exchanges between Yugoslavia and Eastern Europe indicate that the Kremlin's intensified anti-Tito program has not yet substantially changed Yugoslavia's economic relations with the Soviet orbit (see page 4).

The retention of the Indonesia Republican leaders in Dutch custody, while policy makers in the Netherlands continue to evade the necessity for compromise on the question of Republican restoration to Jogjakarta, is responsible for a growing loss of centralized control over Indonesian guerrilla forces (see page 9). The danger of such decentralization of control is increased both by a tendency of extreme radical leaders to take command and by a rapid growth of anti-Dutch resistance by both regular Republican and independent guerrillas in Indonesia.

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W E S T E R N E U R O P E

FRANCE

Cantonal Elections Efforts by the French Communists and Gaullists to turn the first round of the current cantonal elections into a pro-De Gaulle plebiscite or anti-Atlantic Pact referendum have suffered a definite defeat. The percentage of the popular vote (23.5) polled by the Communists was lower than in any election since the liberation. According to official figures, De Gaulle's Rally of the French People (RPF) has emerged as something less than a rally with only 25% of the popular vote as compared to an estimated 38% in 1947. Although the Communist Party and the RPF can still point to the fact that they polled higher percentages of the vote than any of the other parties, their popularity, in reality, has diminished, and the Government's position with regard both to domestic and foreign problems appears to be greatly strengthened. Pro-Government alliances in the run-off ballots of 27 March will probably increase the Government's present lead.

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E A S T E R N E U R O P E

Communist Drive Progress toward ratification of the North Atlantic Pact, coupled with the growing economic stabilization in Western Europe and Tito's successful challenge of the Kremlin, is having the effect in Eastern Europe of: (1) increasing the hope of the non-Communists for eventual liberation from Moscow's control; and (2) accelerating Soviet measures to clinch the Communist stranglehold over the area. Many non-Communists now believe that this demonstrated western determination to stop the spread of Communism will eventually result in a drive to liberate Eastern Europe. This type of wishful thinking will increase if the border nations such as Sweden, Germany, Austria, and Italy join the alliance. Meanwhile, the USSR is already retaliating by taking steps to strengthen the hold of the Communists in Eastern Europe. The drive to eliminate western influence is being stepped up, and measures are being adopted to accelerate the Communization of all phases of life in the Satellites and to tie the area even more closely with the USSR.

SOVIET UNION

Anti-Semitism A definite anti-Semitic campaign is now emerging from the current ideological purge in the Soviet Union. Soviet authorities have reached an impasse trying to reconcile the doctrine of the superiority of Russian culture and of Soviet life with the apparent preference of many Soviet citizens to remain "subservient to foreign culture." The Jews are suspected of being the most susceptible to foreign influence and, as a conspicuous non-Russian group, are convenient objects of castigation. Soviet authorities have suppressed certain Jewish publications and are singling out prominent Jewish scientists and

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SOVIET UNION

members of the intelligentsia for public disgrace as "homeless cosmopolitans" and "passportless wanderers." In all likelihood, the anti-Semitic movement will give the Soviet government a convenient excuse to effect a "voluntary" migration of Jews to the Jewish colony of Birobijan in Siberia.

YUGOSLAVIA

Guerrilla Activity The reported presence of approximately 4500 armed anti-Tito Yugoslavs across the border in Bulgaria raises the possibility that the USSR, as part of its recently intensified campaign against Tito, is preparing for overt guerrilla action against Yugoslav Macedonia. Similar though smaller groups of dissident Yugoslavs are reportedly being organized in Albania and Hungary. These forces would constitute a useful Soviet instrument if the Kremlin decides to attempt a guerrilla operation in Yugoslavia similar to that in Greece. Although activity in Bulgaria is still confined to training and recruiting, recent Bulgarian broadcasts denouncing Tito's alleged maltreatment of Macedonians may be the propaganda preliminary to more direct action. Tito's reaction to such a move would be vigorous and might easily lead to Yugoslav military action in Bulgaria. The Kremlin is undoubtedly aware of this probable Yugoslav response; thus the initiation of guerrilla activity against Yugoslavia from bases in Bulgaria would mean that the USSR had accepted the risk of open warfare between Bulgaria --and possibly the USSR--and Yugoslavia.

Trade Relations The proposed exchange of commodities for 1949 between Yugoslavia and the East (notably the USSR, Poland, Czechoslovakia, and Hungary) indicates that the Tito-Cominform rift has not yet produced any important change in Yugoslavia's economic relations with the Soviet orbit.

SECRET**YUGOSLAVIA**

Yugoslavia has contracted to continue exporting strategically important nonferrous metals to the East in exchange for industrial equipment, petroleum products, coke, and coal. The reduction in the total volume of the proposed exchange for 1949 is solely in non-essential goods such as food and timber. Moreover, despite public claims of economic sanctions imposed by the East, Yugoslavia has apparently committed its exportable surplus of these strategic materials to the East and thus will not be in a position to offer additional quantities to the West. It is thus becoming more apparent that any Yugoslav overtures for trade with the West will be primarily an attempt to obtain economic assistance rather than a bona fide offer of strategic natural resources. Under these conditions, the development of substantial trade between Yugoslavia and the West is unlikely, at least until Soviet pressure against Tito takes the form of total economic sanctions preliminary to more aggressive action.

GREECE

Guerrilla Potential Although the full effects of the Tito-Cominform quarrel on Greek guerrilla efforts are not yet clear, the guerrilla military potential within Greece has undergone a steady though unspectacular decline. Guerrilla strength is now estimated to have fallen just below the 20,000 level, and the recently announced campaign for recruiting 5,000 saboteurs and snipers to work in towns and villages is a far cry from the 1948 drive, which had the official goal of raising guerrilla fighting strength to 40,000. Anti-guerrilla operations in the Peloponnesus are nearing an end, and the Greek Army is employing aggressive search-and-pursuit tactics in the mountains of central Greece and at points in east-central Macedonia. At this stage, the Albanian frontier zone

SECRET**GREECE**

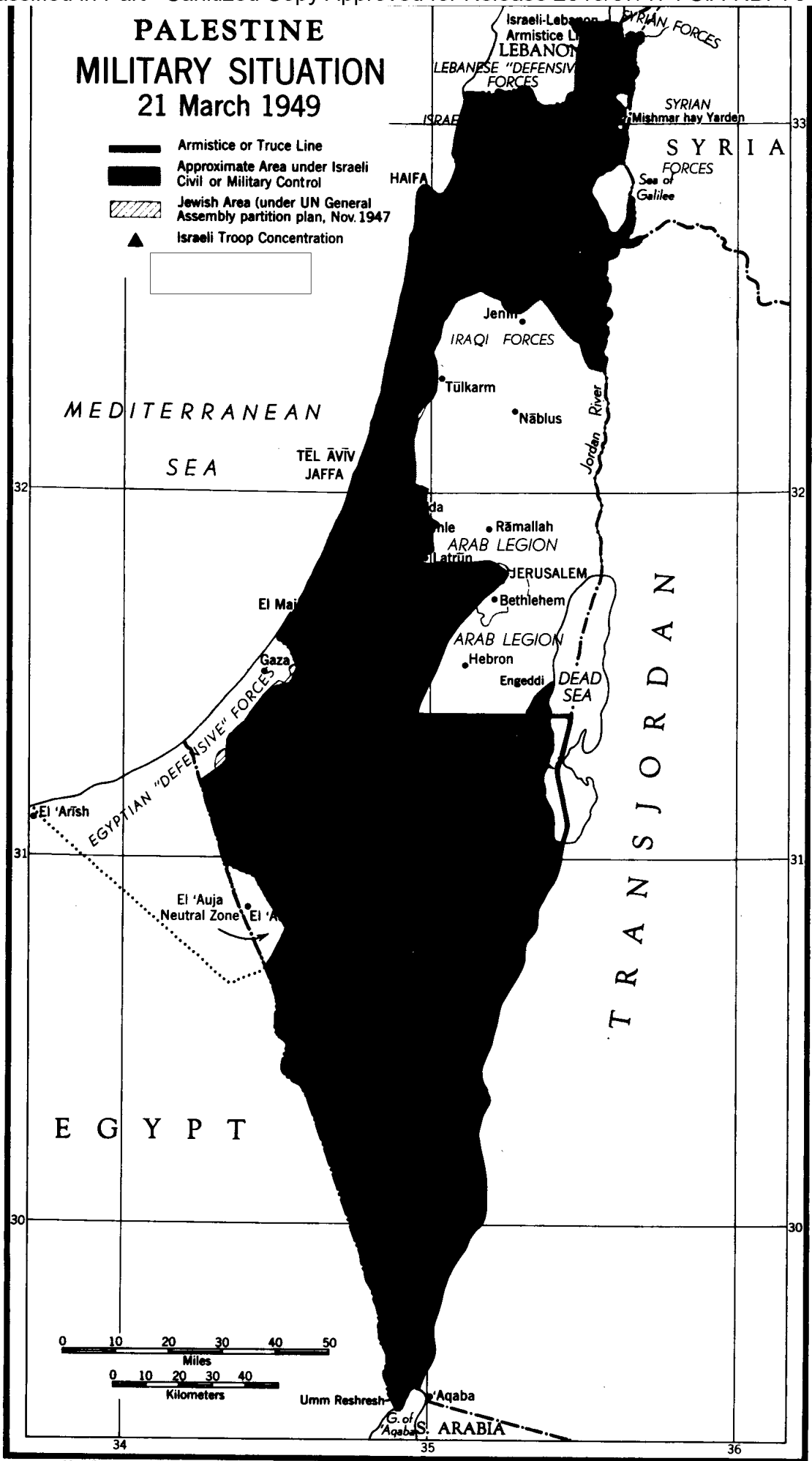
between Vitsi and Mount Grammos appears to be the most vital area in guerrilla calculations, and the next guerrilla efforts may come in the adjacent areas of western Macedonia or in nearby Epirus. Such efforts might be made in an attempt to counteract the effect of the current nationwide "Work and Victory Week" program, which was recently organized by the Greek Government as a prelude to Greece's traditional Independence Day celebration on 25 March.

FINLAND

Soviet Pressure Soviet propaganda pressure against Finland is becoming more intense and hostile and may soon be accompanied by Finnish Communist attempts to instigate wide-spread strikes. The Kremlin has probably decided to bear down on Finland, after nearly a year of comparatively peaceful relations, because of a growing fear that Finland may gradually slip further toward the western camp and the realization that only through this type of intimidation can the USSR hope to weaken Scandinavian support for the Atlantic Pact. Soviet propaganda against Finland suggests that the groundwork is being laid for a formal accusation that Finland is violating the Peace Treaty or the Finnish-Soviet non-aggression pact. Either accusation could be used as an excuse for more direct Soviet intervention in Finnish affairs. Meanwhile, Finland's Social Democratic government, although it will attempt to avoid antagonizing the USSR, shows no signs of acceding to Finnish Communist demands for representation in the government and will probably take strong measures to suppress any Communist strikes.

PALESTINE MILITARY SITUATION 21 March 1949

- Armistice or Truce Line
- Approximate Area under Israeli Civil or Military Control
- ▨ Jewish Area (under UN General Assembly partition plan, Nov. 1947)
- ▲ Israeli Troop Concentration



SECRET**NEAR EAST - AFRICA****PALESTINE**

Military Situation Current military moves by the Israelis in most instances appear designed to influence their negotiations with Transjordan. These talks continue to drag despite the conclusion of an Israeli-Lebanese armistice agreement and Syria's announcement that it is now willing to negotiate with the Jews. In the critical north-central sector where the replacement of Iraqi troops by smaller Arab Legion detachments is planned, the Israelis are continuing their troop buildup, thus prolonging the threat of a new attack in that area. The Israelis have asserted that they will not countenance Transjordan's assumption of responsibility for the present Iraqi sector unless current Arab lines are moved back in several areas, principally in order to give Israel control of the north-south coastal railroad and of a portion of a road from the coast to eastern Galilee now in Arab hands. To consolidate their position in the southern Negeb, the Israelis have reportedly been reinforcing their garrison at Umm Reshresh on the Gulf of Aqaba, strengthening their hold on the potash works at the southern end of the Dead Sea, and establishing a series of camps along the main road leading southward from Beersheba. They have also undertaken a minor offensive, driving four miles north of the truce line to occupy the town of Engeddi on the western shore of the Dead Sea, and are alleged to have again sent patrols into Transjordan at Gharandal. The British, as a countermove, have reinforced their garrison at Aqaba. This move has evoked an Israeli protest to the UN Secretariat and to the members of the Security Council.

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SECRET**F A R E A S T****CHINA**

Political Jockeying Although Acting President Li now has a Cabinet and has gained the nominal support of additional Nationalist elements, he has made little progress toward achieving a peace settlement with the Communists or toward establishing his control over all of Nationalist-held China. Recently, the governors of Taiwan, Fukien, and Szechuan and two important south China leaders arrived in Nanking to discuss peace preparations. In addition, Hsueh Yueh, Chiang-appointed governor of Kwangtung, has reportedly been persuaded to attend the same meeting. Even with these favorable signs of support from some of Chiang Kai-shek's followers, Li's job of negotiating a peace remains difficult and delicate. He is confronted with the task of marshaling the support of the leaders of Nationalist-held China to bulwark his bargaining position in negotiating with the Communists. Li's ability to negotiate an acceptable peace will depend to a large extent upon convincing the Communists that he has sufficient control over Nationalist China to fulfill his pledges. However, both he and the Communists are fully aware that his control over Nationalist China will depend largely upon the terms of the negotiated peace. Thus, if the Communists dictate peace terms which are unacceptable to the leaders of Nationalist-held China, many Nationalist leaders will probably deny Li's authority and will call upon Chiang Kai-shek to return or will form regional alliances. Meanwhile, Communist preparations to cross the Yangtze continue and, when convinced that nothing further can be gained through negotiations, the Communists will probably cross the river and resume the offensive to the south. Resumption of the military offensive will enable the Communists to deal directly with the regional leaders, who will be faced with a choice between something-less-than-honorable surrender or complete military defeat and occupation.

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SECRET**CHINA**

Control of Taiwan Control of Taiwan, which until a few months ago had not assumed major importance, may become a major issue in the impending peace negotiations between the Communists and Acting President Li's Government. The Communists undoubtedly want control of Taiwan, but there is some doubt regarding Li's ability to transfer his nominal "control." During the past several months, Chiang Kai-shek has continued to make preparations on the island for a last-ditch stand against the Communists. Just prior to his "retirement," Chiang Kai-shek appointed Chen Cheng, one of his most loyal followers, as governor, and just recently control of the 20,000 Nationalist troops on the island was transferred to Chen Cheng. These troops, technically, have been under command of Sun Li-jen, Li's Vice Commander of the Nationalist Army. With the prospect that Taiwan may become a stronghold for die-hard Nationalist resistance, the Communists will probably demand that Li turn over control of the island to them. If he is unable to do so, the Communists, seizing upon this as a pretext for breaking off negotiations, can either insist upon applying their favored Peiping-surrender pattern to the rest of Nationalist-held China or resume their military offensive to the south. In either event, the Communists may move against Taiwan after they have captured the large number of commercial vessels in Shanghai and the cities of the Yangtze valley. Although the native Taiwanese would prefer independence, they may turn to the Communists for aid in throwing out the hated Nationalists.

INDONESIA

Republican Control While Dutch policy-makers continue attempts to evade the growing necessity for compromising with persistent Republican demands for full restoration to authority in Jogjakarta, Republican leaders in

SECRET**INDONESIA**

Dutch custody are gradually losing the centralized control they formerly exercised over guerrilla forces. Control of the guerrilla movement is gradually shifting to more radical military leaders as the Republican guerrilla forces are finding it necessary to rely more and more upon their own initiative. As centralized control breaks down further, radical or leftist leaders may be tempted to make a bid for control of the Indonesian freedom movement. For example, Tan Malakka, an Indonesian leader often characterized as a Trotskyite and supported by militaristic groups of the extreme left, will probably make such a bid. Meanwhile, regular Republican and independent guerrilla resistance to the Dutch has grown so rapidly during recent months that even a fully reconstituted Republican Government would encounter difficulties in enforcing a cease-fire order. It is impossible to estimate the effectiveness of a cease-fire command by President Soekarno, if he were restored to authority immediately. However, the longer he remains in detention, the less effective his influence will be when he is finally restored.

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SECRET**INITIAL REACTION TO THE POINT FOUR PROGRAM**

Initial foreign reactions to President Truman's program for aid to undeveloped areas indicate that an attempt will be made to emphasize the financial rather than the technical aspects of the proposed assistance. The most common approach to the Point Four program, especially in the UN Economic and Social Council (ECOSOC) where resolutions concerning it have been discussed, is a misinterpretation of the original concept of the proposal which envisaged unlimited US technical aid and guidance, supported by capital investment from worldwide sources--not exclusively from the US. Although emphasizing the financial aid to be expected under Point Four, the initial response of the non-Soviet world has been enthusiastic and the reaction of the USSR has been surprisingly mild.

Ecuador, Paraguay, Nicaragua, Haiti, Chile, and Brazil have all expressed interest in such a program, with Chile stressing the need for development projects to be undertaken on the basis of financial aid at the governmental level. The Chilean president has warned, moreover, that his country's continued anti-Communist orientation may depend on improved living standards, presumably to be accomplished by means of US dollars. Brazil has stressed the need for financial as well as technical assistance.

Lebanon and Egypt have both indicated the necessity for applying the Point Four program to the Middle East somewhat after the manner of the European recovery program, again emphasizing the need for action and financing at the governmental level. The Indian representative in ECOSOC expressed considerable disappointment over the vague nature of the US-sponsored resolutions; India apparently feels strongly that it is the duty of the US to grant that country financial, technical, and

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material aid. Turkey, Iraq, Syria, and Ceylon are now interested in financial aid in varying degrees, and Siam and Burma would welcome foreign help.

The Slav states voted against both ECOSOC resolutions on technical assistance and economic development, but the USSR has limited its official comments to general approval of economic assistance which would promote the development of national independence and domestic resources without political, economic, or military concessions. The Polish representative in ECOSOC bitterly denounced the program as a US scheme designed to shape an "American century" through politics, profiteering, and espionage. This denunciation may foreshadow the future trend of Soviet propaganda, which will probably become more hostile as the program is implemented.

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